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ABSTRACT

One of a series of discussion papers on the history, governance, operation, and development of the State University of New York (SUNY) community college system, this paper traces New York's efforts to ensure proper allocation and budgeting of state assistance in an era of increasing higher education costs. After explaining the formula for state aid that was in effect between 1948 and 1970, the paper discusses the period in the late 1960s when limitations on state aid began and a formula approach to community college funding was first explored. The next section chronicles the phasing-in of the new formula approach to state aid, the work of the Governor's Task Force on Financing Higher Education, and the resulting mandate in the Laws of 1973 of a new formula for financing the operating costs of the community colleges. After reviewing the refinements to the formula approach made in the 1970s, the paper describes the current funding formula. (LAL)

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SUNY COMMUNITY COLLEGE

TOPICAL PAPER NUMBER 4

"THE EVOLUTION OF THE STATE UNIVERSITY OF NEW YORK COMMUNITY COLLEGE FUNDING FORMULA"

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Office of Community Colleges
State University of New York
Albany, New York
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BACKGROUND

SUNY Community College Topical Paper Number 4 focuses on "The Evolution of the State University of New York Community College Funding Formula. This paper is the fourth in a series of publications discussing topics of general interest to those seeking to learn more about the history, governance, operation and development of the State University of New York college system. As in previous topical papers, the reader will continue to find the footnotes of special interest.

Dr. Freda R. H. Martens, the retired Dean of Planning and Information Services at Dutchess Community College is the author of this paper. She was also the author of earlier Topical Papers on SUNY community colleges.

This office continues to be indebted to Dr. Martens for her work in developing this series of Topical Papers on SUNY community colleges. In addition, the Office of Community Colleges wishes to recognize the work of David Van Nortwick, Director of Administrative Services, who made a substantial contribution as editor of this paper.

Other topical papers published by this office are:

"The Historical Development of the Community Colleges of the State University of New York"

"Governance of the State University of New York Community Colleges"

"Students, Faculty and Programs in State University of New York Community Colleges"

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EVOLUTION OF
THE COMMUNITY COLLEGE FUNDING FORMULA

Introduction

The State University of New York's community college state aid formula evolved over the last decade as a method of allocating state appropriations for the community colleges, within the limits determined by the annual budget process. The formula was developed to serve as a means of distributing state aid funds in an equitable manner as well as provide an incentive for good educational and fiscal management.

The formula for state aid for New York's community college operating costs was established in 1948, as one-third of operating costs, subject to such maximum limitations and regulations that the trustees of State University of New York might impose. This "one-third" approach was suggested by the Temporary Commission on the Need for a State University as the best way of sharing the operating costs of the new community colleges among students, the local sponsor and the State of New York.(1)

The strict "one-third" approach remained the basis of providing state financial assistance for community colleges until the 1970's, when a variety of bonuses and variables were introduced into the formula to encourage campuses to pursue certain desired educational and social goals.

New York's efforts to ensure the proper allocation and budgeting of state assistance, in an era of steeply increasing higher education costs, is traced in the following pages and is summarized in Chart #1.

Limitations on State Aid Begin and a Formula Approach Explored

The rapid rise of higher education costs in the late 1960's, coupled with enrollment increases, prompted the State Legislature and Governor to examine the State fiscal commitment to community colleges. Thus, New York's Education Law was amended in 1969 to require the State University Trustees to give prior approval to the budgeted operating (and capital) costs of community colleges because these costs were used in calculating the amount of state aid for community colleges. Furthermore, the legislature mandated that the State University, "with the approval of the Director of the Budget" prescribe maximum limitations and regulations for operating costs. It was suggested that student attendance or some other appropriate basis be used.(2) The first set of regulatory limitations developed in the summer of 1969, established a level of $490 per FTE student (based on aggregate enrollment) as the level above which community college budgets would be not be approved.(3)

A number of studies of the community colleges were also undertaken at this time. The firm of Peat, Marwick and Mitchell studied the future of New York's two-year colleges and recommended, in 1969, that a revised fiscal formula be established requiring a fixed contribution from the sponsor so as to leave the state's share of operating aid open ended.(4) This latter concept was, of course, in direct opposition to the law calling for specific maximum limitations and regulations.

Various approaches to state aid, such as "dollar-ceiling," "foundation aid," and "additional aid," were analyzed in A Report to the State University and the Division of the Budget.(5) This report said that the "dollar-ceiling" approach would do little to advance either educational goals or effective management. It would not offset the disturbing inequalities in local efforts that were then highly visible. On the other hand, the "foundation aid" approach would lead to standardization and an unwillingness to develop improved educational techniques. The report's author, Charles Ingler, suggested, therefore, that state aid consist of basic aid tied to one-third of the operating budget but utilizing a predetermined rate per FTE. He also recommended that additional aid be made available as a reward or incentive for such things as efficient institutional and educational management, maintenance of effort in fiscal support by the sponsor, high-cost technical instruction, and educational programs for the disadvantaged. It was on the basis of this report that new approaches to state aid for community colleges were explored.

The development of a new state aid formula coincided with passage of the Full Opportunity Law. This 1970 law provided for increased state funding to community colleges adopting: (1) policies to admit local high school graduates of the previous year and veterans to appropriate programs, with counseling and remediation work as needed; (2) a plan for such instruction; and (3) assurances that the necessary sponsor support would be made available. It was in anticipation of this new law that the Governor recommended state aid at two-fifths of community college operating costs, instead of one-third, and making existing State University regulations applicable to the 1970/71 operating budget requests of the community colleges.(6)

State University's Trustees acted quickly to accommodate the new law. They amended the existing Code (then providing a maximum state-aid limitation not in excess of $565 per FTE student) to provide up to $678 per FTE for those colleges with approved full opportunity plans.(7)

Formula State Aid is Introduced and Mandated

By January of 1971, all but four community colleges had approved plans for Full Opportunity Programs. This, and the fact that community colleges had experienced a 100 percent increase in operating costs in the past five year period, made the question of an adequate formula for state assistance a major priority. Both the

Governor and the State University Trustees agreed that the formula should be based upon Ingler's recommendations.(8)

This new formula approach to state aid was phased into established procedures. Aid for Full Opportunity Program colleges was set at the lesser of either: (1) 40 percent of net operating costs; or, (2) the sum of certain FTE calculated amounts. The FTE amounts were $621 per FTE student ($518 for non-full opportunity colleges), plus $35 per FTE if the college's student FTE/faculty FTE ratio was no less than 17 to 1, an additional $35 per FTE if instructional costs were at least 50 percent of all operating costs, and a further $35 per FTE if at least 50 percent of the full-time students were enrolled in technical or vocational programs. Ninety dollars for each full-time disadvantaged student was also available if such students were no less than 25 percent of all full-time day credit course students. A limitation of $985 per FTE at colleges with approved full opportunity plans was applied, but this "cap" was reduced depending on the number of factors in the formula met by the college. In fact, it was anticipated that community colleges would strive to meet at least one of their "missing" factors per year--thereby improving their overall operation.

It was this type of formula, with changes in basic FTE dollar amounts and variations in the factors used to calculate the aid due to each college, that was to become the backbone of the state's financial assistance to the community colleges for their operating support in the coming decade. Yet, the rapid growth of the community colleges soon made the initial formula less than adequate. Many colleges soon met the factors required for additional aid, but uneven levels of educational services continued to exist and costs to rise. These matters were widely discussed with various community college constituencies.(9)

It was the Governor who then proposed that the State's participation in the financial and administrative aspects of the locally-sponsored colleges ought to be increased, but he said he would wait for yet another report, this time from his own Task Force on Financing Higher Education.(10) It was this Task Force's work that resulted in the omnibus Chapter 708 of the Laws of 1973.

Chapter 708 of the Laws of 1973 contained many things but included was a reemphasis of the mandate for development by State University of maximum limitations and regulations for community college operating budgets, with the approval of the Director of the Budget. Mandated was the University's preparation by December 31, 1973 of a new formula for financing the operating costs of the community colleges. It was required that maximum limitations, regulations and incentives to achieve compliance with a code of standards and procedures be included. The new formula was to be ready for enactment into law in 1974. Required was the promulgation by State University of a code of standards and procedures for the administration and operation of community colleges by July 1, 1974. This code could include minimum standards for academic curricula and facilities, schedules and formats for budget preparation and submission, and a system of accounts.(11)

Chapter 708 of the Laws of 1973 also made additional state aid available to all community colleges over and above the existing formula. The aid was to be for expenses "incurred through the operation of high cost technology and science degree programs."(12) It was, in effect, program aid of a very broad type. A sum, not to exceed $150 for each full-time student enrolled in non-business oriented Associate of Science or Associate of Applied Science degree programs, was provided. (The earlier formula factor that 50 percent of the full-time students be in technical/vocational programs was dropped). This new supplemental aid was to be subject neither to the 40 percent state-aid limitation nor to any other state-aid "cap". It was to be available to full opportunity and non-full opportunity program colleges alike. Some community colleges have, therefore, received upon occasion more than 40 percent of their net operating budgets in state aid assistance.

The Governor approved the omnibus 1973 law, but he also directed that detailed program cost estimation and planning be undertaken in preparation for 1974.(13) A number of community colleges participated in a State University-wide program cost study based on a model developed by the National Center for Higher Education Management Systems (NCHEMS), but the session law proposed for 1974 was never introduced into the legislature.(14)

Some aspects of the proposed bill, however, were adopted in 1974. Formula ceilings were increased for the first time since their inception. The new programmatic aid for technical programs was changed from a "full-time" student basis to an FTE student basis, thereby including part-time and summer-session students in the computation of the amount of supplemental aid to be given each community college.

A bill similar to that developed for 1974 was prepared the following year, but it failed to clear the Governor's Office.(15) Although it proposed making differential program costs part of the new formula mandated by Chapter 708 of the Laws of 1973 and within the context of available resources, the Division of the Budget continued to oppose allocation of state aid along program lines.(16) This opposition was not shared by those who thought that the existing broad limitations on state assistance ignored the differential costs incurred in operating a variety of programs and in developing new ones.(17)

In effect then, the existing formula with either the 40 percent calculation or the FTE driven computation, whichever proved to be the lesser. remained the state's method of supporting its Full Opportunity Program community colleges, along with supplemental aid for technical programs.

Refinements are Made and Today's Formula Emerges

The formula approach to community college state aid continued to be modified in the 1970's. The basic FTE support factor was increased to $670 per FTE in 1974, and the student/faculty ratio raised to 18.5/1 by 1978. By 1977 almost all community colleges met the 50 percent of instruction cost factor. As this and other factors were achieved, they were dropped and new ones added. Forty percent of allowable rental costs for physical space was added in 1976 as a factor to be included in cost calculations.(18)

All community colleges had become full opportunity colleges by 1978, and this fact alone made it possible for further enrichment of the state aid formula to occur. Basic FTE state aid rose to $750 and then to $805. Aid for the disadvantaged increased to $180 and then to $193. The percentage of rental costs allowed in cost calculations was raised to 50 percent. Supplemental state aid for technical programs was changed to $180 per FTE and then to $178. Furthermore, new supplemental state aid was made available for business programs at approximately 42 percent of the technical aid amount.(19)

Modification of this kind continued as efforts were made to simplify the formula and to save the community colleges from anticipated financial losses due to declining enrollments. One such effort was a variation of an earlier attempt to divide FTE's into fully- funded and non-fully funded FTE's and with support for any "left-over" FTE's set at $100 each. An FTE calculation based on 20 percent, 30 percent and 50 percent of the three prior year FTE's was also tried.(20) This was followed with FTE counts based on either the prior year's actual enrollment or the three-year weighted average--whichever was better for the institution.

Furthermore, a new form of "program" aid was made available in 1981 for approved contract courses designed to help achieve special purposes of the State of New York. Community colleges conducting State University approved courses in occupational training or assistance to businesses, labor/management organizations or not-for-profit corporations for the creation, retention, and for the improvement of productivity could receive $930 per FTE. This was soon increased to $1070, and then to $1250, concurrent with the changes in approved levels for basic state aid.

Today's Funding Formula

The funding formula of today generates community college state aid based on three factors but with some "ifs" attached to at least two of them. Supplemental aid is also available, with some "if" aspects, as well as additional support to those colleges helping to achieve special purposes of the state. Details of this are set forth in the Code of Standards and Procedures for the Administration and Operation of the Community Colleges under the program of State University of New York and updated as needed by State University's Board of Trustees.(21)

Formula-based basic state aid remains limited at this time to not more than 40 percent of net operating costs. The three factors associated with this support are: (1) Either $1250 per FTE or $1285 per FTE if the sponsor's support (millage factor) is maintained at a level not less than the equivalent of 50 cents for $1,000 of total full valuation of taxable real property in the sponsorship area (i.e., $35 extra per FTE); (2) $212 per full-time disadvantaged student if the proportion of disadvantaged students from the sponsor's area meets or exceeds the percentage of disadvantaged in the sponsorship area; and (3) 50 percent of all allowable rental costs for physical space.

Supplemental state aid is still made available over and above the 40 percent maximum base-aid limitation. It is set at $195 per FTE in technical programs and $82 per FTE in business programs, provided that the college's tuition is equal to or greater than that of the prior year, and provided that current sponsor support (either in total or on the basis of FTE support for students coming from the sponsor's area) is not reduced from prior year levels.

Special program support for participating colleges is also available over and above the 40 percent limitation. Contract courses provide $1250 per FTE student ($1285 if the campus meets the "millage" criterion noted above). Structural unemployment vocational retraining provides support for programs designed to reduce unemployment. Youth internship support is used for the training and work experience of economically-disadvantaged youth.

State University's 1985/86 community college state-aid formula and supplemental-aid categories supply on the average for the thirty community colleges of SUNY 35.3 percent of the colleges net operating costs. Student revenues (i.e., tuition, which may not be more than one-third of net operating costs and currently set at a maximum of $1350) make up 30.6 percent of net operating costs. Sponsor support averages 34.1 percent.

The flexible formula approach to state aid outlined above and as evolved by the State University served the campuses well during times of increasing enrollments. There is a growing concern that the formula may not be adequate for many colleges during the period of projected decreasing enrollments during the next five to seven years. Therefore, it can be anticipated that changes will continue to be sought in the formula, if the future needs of the colleges are to be met.

FOOTNOTES

1. State of New York, The Report of the Temporary Commission on the Need for a State University, Legislative Document (1948) No. 30, p. 28.

   Although, the one-third approach remained essentially the method of determining state aid for many years, a "chargeback" system was developed in 1953 to provide county payments for student's crossing county lines to attend a community college. This resulted in widespread variations in the share of operating costs paid by sponsors. Community colleges with large out-of-county enrollments, in effect, shifted much of their sponsor's support to that of the county of origin of their students--thereby modifying considerably the original financing arrangements. The chargeback system started (according to Charles P. O'Brian, Broome County Attorney) with the promise that counties assuming support of the former state supported Institutes of Applied Science as community colleges, would be allowed to charge back tuition of non-local resident students to their home counties. (See letter in bill jacket of Chapter 769 of the Laws of 1955). Chargebacks introduced a new concept of support for higher education.

2. New York State, Chapter 174 of the Laws of 1964 and State University, Board of Trustees Resolution 69-239.

   The effective date of the 1969 law was originally set for July 1, 1970 but was changed to July 1, 1969 law was originally set for July 1, 1970 but was changed to July 1, 1969 by Chapter 340 of the Laws of 1969. Both laws were passed upon message of necessity from the Governor.

   At this time, Education Law, Section 6305 dealing with community college financing, had already been renumbered 6304 by Chapter 769 of the Laws of 1955. Chapter 49 was also amended in that same year, by Chapter 340, Section 15, to establish a fiscal year statutory limitation on state appropriated moneys for community college operational aid. It was feared that with the introduction of collective bargaining, unforeseen personnel increases would make state aid budgeting an impossibility, particularly in an era of steeply rising higher education costs.

   The State University Trustees considered the limitation developed with the Director of the Budget to be an interim one. Joint studies continued on the question of community college financing and a possible permanent limitation by formula. Even so the University trustees amended 603.4 (and 603.8) of their Code to "cap" approval of community colleges budgets at $490 per FTE for 1969/70, with further changes to be made in the future.

3. See State University of New York Board of Trustees Resolution 69-239 which added 603.4 and 604.8 to the Code. However, operating costs in excess of that approved, could be supplied by the sponsor.

4. Peat, Marwick, Mitchell and Co., The Future of the Public Two-Year Colleges in New York State, September, 1969. This was the so-called Nelson Report.

5. See: "Limitations and Regulations: State Aid to the Community Colleges of New York State; Part I: Operating Funds." A Report to the State University and the Division of the Budget, December, 1969.

6. State of New York, Chapter 811 of the Laws of 1970. This law followed the statement made in the Governor's 1970 Annual Message in which he recommended full opportunity at community colleges because education beyond high school--technical or academic--was becoming a requirement for entry to modern life.

   The new law followed the 1970/71 Executive Budget recommendation that set forth the nature of the full opportunity program being proposed and called for more control over costs. This budget clearly stated that regulations required of the State University Trustees in 1969 were under study and would apply to community college budgets of 1970/71.

   The new law amended Education Law, Section 6304 (1)(a). It continued the 1969 mandate to State University to adopt maximum limitations and regulations with the approval of the Division of the Budget.

7. State University of New York Board of Trustees Resolution 70-144 and 70-145.

   These resolutions established criteria for approving full opportunity plans (i.e., a new Code, Section 603.5 and an amended section 603.4). Further regulations were to be promulgated July 1, 1971. (Changes in outside gross square footage cost calculations were also made but did not apply to Nassau County or to New York City).

8. State University of New York Board of Trustees Resolution 71-25. Code 603.4 was restated and maximum state aid limits set forth. At this time, July 27, 1971, State University considered these new maximum limitations on operating costs, based on widely discussed proposals, to be permanent regulations.

   The Governor's 1971/72 Executive Budget cited these new regulations. He referred to the "Ingler Report" as the work of a consultant, commissioned by State University and the Division of the Budget in late 1969, to develop methods

whereby costs could be controlled while programs of the colleges were improved.

9. A series of drafts of A Preliminary Report for Discussion Among the Constituencies of the Community Colleges were prepared by a Task Force on Problems in the Community Colleges and circulated, beginning in November 1972. This Task Force consisted of eight community college presidents and two trustees from the community colleges. It included resource persons from State University's central office. The preliminary reports, based on State University master plans were an excellent analysis of problems but as far as it can be ascertained no final report was issued.

10. The Task Force on Financing Higher Education was established October 7, 1972 by Governor Rockefeller to undertake a "comprehensive evaluation of the present laws and methods of financing higher education, both public and private" in New York State; to "develop a program to strengthen both public and private higher education in the State by proposing better methods of financing and helping to improve the quality of the State's system of higher education" and; to make recommendations for the 1973 legislative session. Francis Keppel chaired the Task Force. Its report, Higher Education in New York State, was transmitted to the Governor March 5, 1973.

Furthermore, one month later, the Legislative Commission on Expenditure Review issued its "Evaluation of Two-Year College Trends" and noted that increased state support for community colleges would require more careful state supervision and coordination.

11. Chapter 708 of the Laws of 1973 added a new section 6304.1 (b) and renumbered the former (b) and (c) paragraphs. It was approved by the Governor June 11, 1973.

12. Paragraph 14 of the 1973 law (Chapter 708) contained a series of higher education appropriations effective as of July 1, 1973. Included with these appropriations was the new community college aid "to supplement the appropriations made under Chapter 53 of the Laws of 1973."

13. Governor's memorandum, "State Aid - Higher Education - Non-Public Institutions - Appropriations," June 11, 1973. The Governor pointed out that the Task Force on Higher Education had recommended that detailed "cost estimation and planning be undertaken" in 1973. Neither the Keppel's report nor the Governor specified "program costing." Keppel's report urged the preparation of cost projections for future years for planning purposes and the carrying out of the Report's recommendations.

The resulting cost studies were viewed as leading to enriched and modified formula limitations for a more equitable distribution of state aid.

14. Memorandum to Presidents, Community Colleges from Hendrik N. Dullea, "Proposed Community College Legislation" (with proposed bill and other attachments), January 23, 1974.

This bill was basically the regulations of the then existing Code 603.4 (but the maximum limitation statements were eliminated.)

15. Memorandum to Board of Trustees from Ernest L. Boyer, Chancellor, "Legislative Proposal No. 2 (Formula for Operating Support of Community Colleges)," January 22, 1975. The 1975 bill was similar to that proposed in 1974 but was believed to be in accord with the Legislature's 1973 mandate. (See footnote #16). It restated the proposal that with the 1976/77 college fiscal year, state aid for the operating costs of community colleges be based on program costs. This was described by State University's counsel as a new formula for financing the operating costs of the community colleges at a time when community college growth was dramatic, when all but three such colleges were full opportunity colleges, and when the community college mission had become increasingly comprehensive.

16. This was also in compliance with Education Law 6304.1 to which a new section (b) had been added in 1973 renumbering the other paragraphs of this subdivision (see footnote #11). This law mandated State University to prescribe operating cost maximum limitations and regulations. It mandated that a new formula be developed for 1973 which could also include maximum limitations, regulations and incentives for compliance with a mandatory promulgation of a code of standards and procedures for the administration and operation of the community colleges.

17. The Budget Division's record opposing program funding is mentioned in the so-called Wales Committee report, where the history of efforts to reach a new funding arrangement is outlined. See: State University of New York, Final Report, State University Trustees Committee on Special Problems of the Community Colleges, February, 1976.

The exact nature of the mandates imposed by New York's Legislature had created some confusion. Thus in the Executive Budget 1976-1977's Message of the Governor Appendix II "Financial Terminology", p. A46, the Governor said that an appropriation usually represented maximum spending authority. "However, when formula-based local assistance would exceed the available appropriation, in the absence of statutory provision limiting such aid to the amount appropriated, the formula may control and may, in fact, imbalance the Budget."

It was clear that a possible imbalancing of the Budget alarmed the Division of the Budget--especially at a time when collective bargaining was expanding in the State and it was realized

that instructional program costs were closely related to professional salaries.

"Not more than 40%" has remained the "cap" for the community colleges' funding formula.

18. Fifty percent of allowable rental costs was permitted two years later.

19. An excellent table summarizing the operating aid formula from 1950 to 1984/85 is in: Compilation of Statistical Data Concerning the Community Colleges of the State University of New York 1983-84, p. 29.

20. Chapter 53 of the Laws of 1981 and 1982 (i.e., Local Assistance Budgets).

21. Chapter 762 of the Laws of 1984 require that joint regulations for operating cost limitations be prescribed by both City University and State University trustees with the approval of the Director of the Budget.

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